Manitoba

Annual Report
1986 - 87

Finance

Manitoba

Minister of Finance

103 Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

March 31, 1987

His Honour George Johnson
Lieutenant-Governor of the Province of Manitoba
Winnipeg, Manitoba

May It Please Your Honour:

I have the honour of presenting herewith the Annual Report of the Department of Finance of the Province of Manitoba for the Year 1986-87.

Respectfully submitted,

Eugene Kostyra
Minister of Finance

Manitoba

Deputy Minister of Finance

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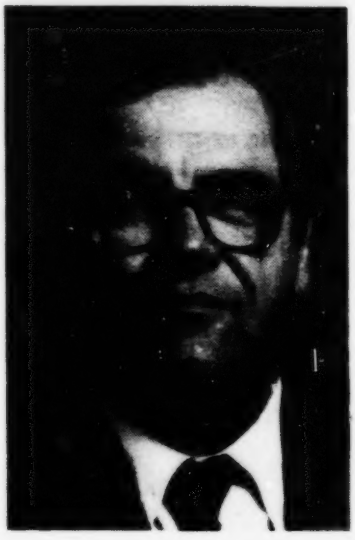
March 31, 1987

The Honourable Eugene Kostyra
Minister of Finance
103 Legislative Building

Sir:

I have the honour of presenting herewith the Annual Report of the Department of Finance of the Province of Manitoba for the Year 1986-87.

Charles E. Curtis
Deputy Minister of Finance



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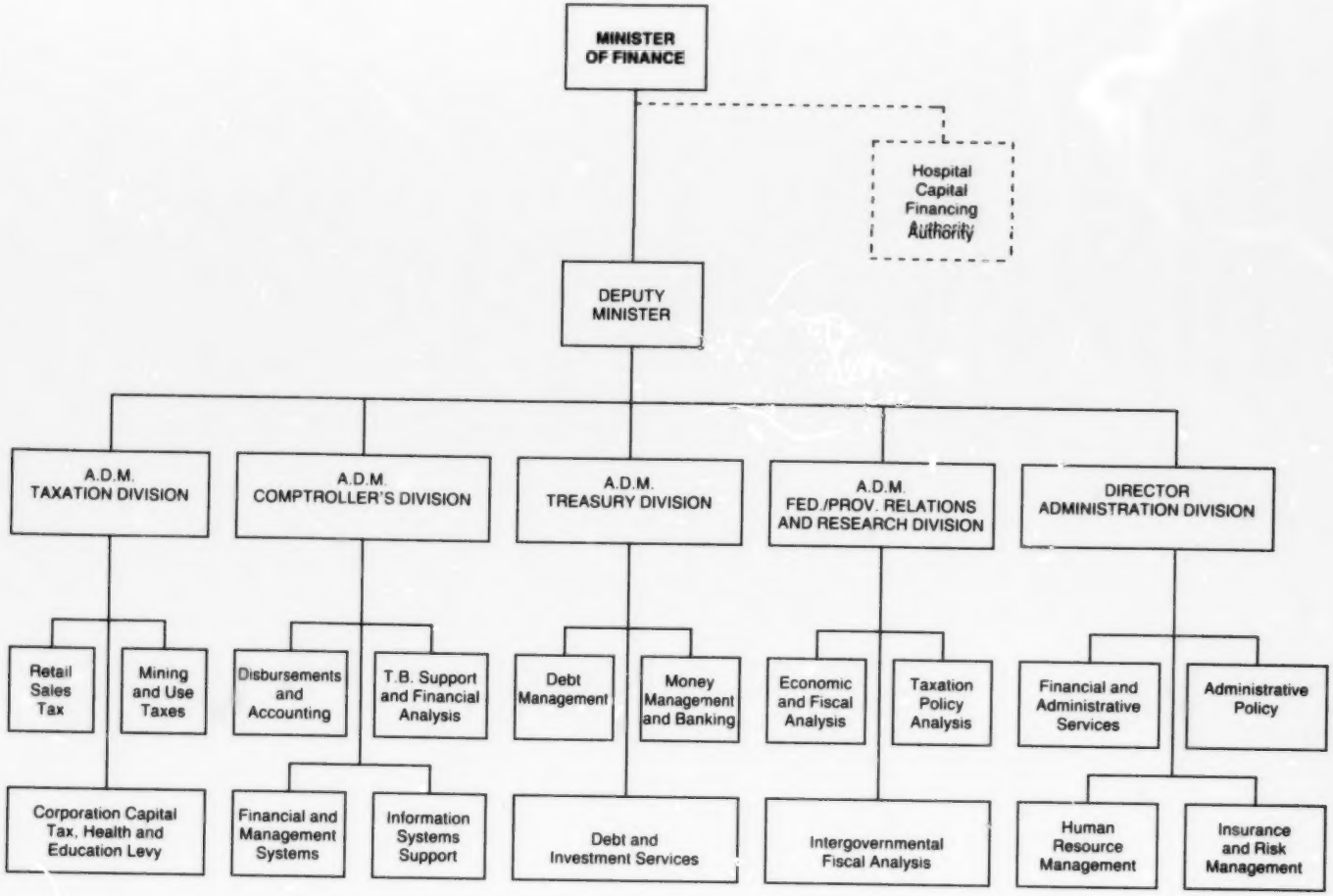
Organization Chart — Manitoba Finance — 1986-87



Role and Mission Statement

The Minister of Finance is Chairperson of Treasury Board, and through the Department, manages the Consolidated Revenue Fund and directs the financial affairs of the Province. The overall responsibilities of the Minister and the Department include:

— providing policy direction on matters relating to financial management and administration;

— analyzing and appraising the economic situation and prospects in Manitoba in co-operation with other Ministries as appropriate;

— advising on fiscal and other economic policies and measures;

— managing the requirements of the province within appropriate fiscal and administrative policies, by action related to expenditures, lending, taxation, borrowing and cash management;

— advising on policies relating to Federal-Provincial fiscal and economic relations;

— representing the Province in negotiations and participating in meetings related to finance, taxation and economic development;

— maintaining the provincial accounting and financial reporting systems;

— providing direction to Government for the appropriate and effective use of information systems technology.

— providing insurance and risk management services to all Government Departments, Agencies and certain Crown Corporations.

Overview

Manitoba Finance was established in 1969. Prior to then two departments, the Comptroller-General and the Treasury, both functioned under The Treasury Act. The Comptroller-General became the Provincial Auditor operating under The Provincial Auditor's Act and the Treasury became the Department of Finance, operating under The Financial Administration Act.

During the period covered by this report — April 1, 1986 to March 31, 1987 — the Department was comprised of five operating divisions:

— Administration

— Treasury

— Comptroller's

— Taxation

— Federal-Provincial Relations and Research

Administration Division

The Administration Division is composed of four branches and is responsible for providing central management and administrative support services to the Department including financial and accounting services and human resource management services. Through the Administrative Policy Branch and the Insurance and Risk Management Branch, the Division provides services used by a range of other departments.

The four branches:

— Financial and Administrative Services

— Human Resource Management

— Administrative Policy

— Insurance and Risk Management

Financial and Administrative Services Branch

The Branch, with a staff of four, performs all accounting, financial, budgeting and general administrative services for the Department.

The Branch processes all departmental expenditures and revenues. This includes the processing of all departmental payments to suppliers of goods and services and the initiation of input to the central Government computerized accounting systems. It is responsible for the propriety, accuracy and completeness of accounting and financial information and the summarizing of related statistical data.

The budgetary function includes the co-ordination of comprehensive fiscal budget support services to the departmental divisions. This consists of the preparation and presentation of the Departments' annual budget estimates, ongoing budget analysis, cash flow statements, the monitoring of expenditures and revenues and the provision of related reports to departmental management.

Administrative functions include the management of the departmental vehicle fleet, co-ordination and acquisition of telephone and other communication requirements, monitoring departmental purchasing activities and assisting with the management of the departmental program and administrative space requirements.

Human Resource Management Branch

The Human Resource Management Branch was formally organized into its present structure in 1981 and had a total of five staff members in 1986-87. It exists for the purpose of providing effective and efficient human resource management programs and services as may be required to achieve departmental goals and objectives.

The Branch is responsible to achieve results in the following areas:

- Payroll, records, systems and benefits administration
- Position classification, recruitment, selection and employee orientation
- Organizational planning and staff utilization, including performance evaluation
- Staff Development and Training, including the seconded trainers program
- Labour Relations and counselling services
- Implementation of Affirmative Action programs
- Management consulting, including services in design, development and delivery of Department originated training courses
- Workplace Safety and Health Programs
- Administration of Conflict of Interest Guidelines

During the fiscal year 1986-87 the Human Resource Management Branch performed 263 transactions related to staffing and 149 transactions related to employee turnover. The Branch has received delegated staffing authority from the Civil Service Commission and conducted 36 selection boards to fill departmental staff vacancies during the 1986-87 fiscal year.

The Branch maintains records of participation by Finance employees in the Civil Service Commission Development and Training program and encourages participation from all employee levels. During the fiscal year 1986-87, approximately 63 employees (or 16 36% of Finance staff) utilized this program through the Branch.

Administrative Policy Branch

The Administrative Policy Branch is responsible for ensuring the identification, development and communication of policies, procedures and guidelines on administrative matters, and for the interpretation of all policies resulting from this process.

The Branch, with a staff of four, provided direction regarding interpretation and implementation of policy published in the General Manual of Administration and on related administrative topics. The Branch also co-ordinated the development of new and revised policy, under the authority of Treasury Board.

A major responsibility was the maintenance of a distribution system to over 1,200 holders of the three-volume General Manual of Administration involving all departments, most quasi-independent agencies, and other provincial jurisdictions.

During 1986-87, the Branch provided decisions on individual expenditure items under dispute, based on an understanding of the intent of current administrative policy, to departments and the Disbursements Audit Section of the Provincial Auditor's Office. This function permits the resolution of expenditure items under dispute in a manner which represents fair and consistent application of policy. It also enabled the Branch to identify areas where additional work is required to create administrative policy which reflects responsible and reasonable practice.

Insurance and Risk Management Branch

The responsibility of the Insurance and Risk Management Branch is to centralize the insurance function for Province of Manitoba departments and agencies, and to actively manage the risk exposures, or chances of unexpected loss, faced by these departments and agencies.

Risk management recognizes that an organization can reduce the financial impact of unexpected losses by identifying and evaluating the possibilities of loss, taking measures to reduce or eliminate the chance of loss, as well as lessening the impact of these losses by financial management including the purchase of insurance.

The Branch purchased insurance coverages for government departments and agencies at a total premium cost exceeding $2.0 million in 1986-87. This was done during a period of extremely difficult insurance markets, especially for liability exposures.

The Branch, which has a staff of four, received reports on over 600 incidents, involving property damage or bodily injury, from government departments and agencies in 1986-87. Approximately 340 of these involved damage to property or assets of the Province, and approximately 260 incidents involved potential liability claims against the Province. These incidents represent a total potential cost exceeding two million dollars.

The Insurance and Risk Management Branch actively promoted risk control within government departments and agencies through loss prevention seminars.Presentations were made regarding liability of government volunteers, liability arising from government facilities, liability of provincial parks and the special permit program, and the liability of government security personnel.

The Branch also provided guidance on government legislation and policy, including the insurance requirements for off-road vehicles and the handling of non-liability payments to third parties by government departments and agencies.

Treasury Division

The Treasury Division was created as a separate entity in 1976 due to the need for placing greater emphasis on the management of substantial amounts of money, debt and investments. Since that time, those amounts have increased significantly, requiring the development of currency and interest rate risk management programs.

The Division maintains regular contact with the world financial community to inform more than 100 domestic and foreign financial corporations and rating agencies of the policies and economic performance of the Province.

The Treasury Division is divided into three branches:

— The Debt Management Branch

— The Money Management and Banking Branch

— The Debt and Investment Services Branch.

Debt Management Branch

The Debt Management Branch of the Treasury Division has been allocated five staff years for the performance of the following major functions:

— managing the borrowing programs of the Government, Crown corporations, Government agencies and other loan programs.

— administering provincial investment in, and advances to, Crown corporations, Government agencies and other loan programs.

— managing sinking funds of the Province, Crown corporations and Government agencies.

— acting in an advisory capacity to Crown corporations, Government agencies and managers of other loan programs regarding the respective organization's policies and procedures related to capital financing.

Borrowing

The borrowing program of the Government, its Crown corporations and Government agencies aggregated approximately $1.4 billion in 1986-87, $719 million for General Government Programs and $680 million for Self-Supporting Programs. The aggregate amount of Province of Manitoba direct and guaranteed debt outstanding at March 31, 1987 was $9.49 billion, of which $4.46 billion was for General Government Programs. The Debt Management Branch actively monitors the global capital markets and manages the outstanding debt by pursuing various financial proposals such as foreign currency swaps and redeeming debt issues prior to maturity to replace them with less expensive financing.

The Branch is responsible for meeting the ongoing reporting and filing requirements of all markets in which the Government has borrowed money. During 1986-87, a prospectus and related agreements were prepared for each of the Province's five foreign issues. As well, three major reports and filing documents were prepared for regulatory agencies.

The Branch also co-ordinated presentations to the various rating agencies who evaluate the credit worthiness of the Province.

Investment

The Debt Management Branch administers the government's non-budgetary investment activities through advances to and/or equity investments in various Crown corporations, Government agencies and other loan programs. During 1986-87 an aggregate amount of $777 million of such investments were made to 25 entities while $274 million of principal was recovered. At March 31, 1987 the aggregate amount of advances and equity investments outstanding exceeded $3.4 billion and involved over 40 accounts.

Sinking Funds

Sinking Funds of the Province of Manitoba, its Crown corporations and Government agencies are managed by the Debt Management Branch. At March 31, 1987 the provincial sinking fund amounted to $1.1 billion , up 26% from $871 million at March 31, 1986. Sinking funds of the Crown corporations and Government agencies totalled $279.8 million at March 31, 1987, up 4.4% from 1986. The Debt Management Branch determines the amount of all the cashflow of these funds for investment purposes.

The Debt Management Branch also acts in an advisory capacity to Crown corporations and Government agencies and makes recommendations respecting each organization's policies and procedures related to the financing of their programs. All existing and proposed legislation of a financial nature is reviewed to ensure that the objectives of the Crown corporation or Government agency are met and that there is legislative consistency among the various entities.

The Branch is also responsible for the management of the accounts of Manitoba Properties Inc., a corporation owned by the Province for the purpose of purchasing Provincial properties which are then leased back to the Province.

Money Management and Banking Branch

The Money Management and Banking Branch of the Treasury Division has been allocated six staff years for the performance of the following major functions:

— managing the government's monetary resources.

— managing the short term investment and borrowing programs for the government.

— administering trust money deposited with the Minister of Finance by Crown corporations, agencies and departments.

— managing the banking operations of the government.

Money Management

The Money Management and Banking Branch prepares cash flow forecasts detailing the Government's anticipated daily receipts and expenditures, including its trust administration activities. Management of daily bank balances and timing of long term borrowing is determined as a result of these cash flow forecasts.

During 1986-87, the Money Management program involved managing the cash flow for over 1,500,000 cheques representing $8 billion of transactions processed through the Government's disbursement system and over 600,000 cheques, money orders, drafts and other items representing approximately 10,000 bank deposits processed through the receipts-handling system of Government.

Investment/Borrowing

Monitoring and management of the Government's cash flow during 1986-87 resulted in the Branch arranging 988 short term investment transactions aggregating over $8 billion of investment purchases and $324 million of investment sales. The Branch also arranged for the issue of $782 million of promissory notes to finance temporary short-falls resulting from differences in the timing of Government payments and receipts. Interest earned on these short term investments amounted to over $70.0 million while interest paid on the Promissory Notes issued was approximately $3.8 million. The Branch monitored the credit status of approximately two dozen approved investments and maintained appropriate exposure limits for each, recommending changes where necessary to minimize risk.

Trust Administration

Over 50 departments, agencies and Crown corporations are required to deposit surplus funds with the Minister of Finance in interest-bearing trust deposits. These trust funds averaged approximately $650.0 million in 1986-87. In excess of 2400 trust deposit receipts were issued in 1986-87 and 2000 payment vouchers processed by the Branch in respect to these deposits. Interest paid on these trust accounts in 1986-87 was in excess of $61.0 million.

Banking Operations

The Branch maintained a central index of approximately 700 accounts representing all Province of Manitoba bank accounts in all financial institutions in the province. These accounts included Manitoba Public Insurance Corporation agents' accounts.

Debt and Investment Services Branch

The Debt and Investment Services Branch of the Treasury Division has been allocated eight staff years for the performance of the following major functions:

— servicing the debt of the Province of Manitoba.

— servicing the investments of the Province of Manitoba and certain Crown Corporations, and Government Agencies, including the maintenance of safekeeping operations for securities owned or held by the Minister of Finance at a number of locations in Canada, the United States of America, Germany, Switzerland, Japan and the United Kingdom.

— preparation, revision and analysis of Public Debt and Energy Rate Stabilization estimates.

Debt Servicing

The Province acts as its own transfer agent on all of its Canadian Dollar-denominated securities; and on some of its U.S. Dollar-denominated securities. During 1986-87, 3,485 debentures and savings bonds were presented for transfer or exchanges. These securities, with a dollar value of $233.6 million required 2,718 new securities to be issued. As well, two new Canadian Dollar issues, totalling $350 million, required 5,652 debentures to be issued and registered.

Investment Servicing

Sinking fund investments of the Province of Manitoba, its Crown corporations and government agencies are serviced by this branch, Investment earnings of $118.3 million, and principal maturing with a book value of $28.4 million were collected and deposited during 1986-87.

As well as the sinking funds, the Branch also services the long-term investments of major accounts such as the Manitoba Public Insurance Corporation, the Civil Service Superannuation Fund, and the Workers Compensation Board and provides a securities safekeeping operation for these and other accounts, including the Public Trustee.

The Branch also services the short-term investments of the Province. As well as ensuring that payments and receipts are made efficiently, this service also provides for the safekeeping of these investments at locations throughout Canada. This involved the issuance of 1,986 safekeeping records covering purchases, sales and maturities in 1986-87 with a total dollar value of $15.6 billion.

Comptroller's Division

The Comptroller's Division is responsible for effectively operating and maintaining the central financial management and accounting systems of the Province. It's goal is to effectively support the decision-making process of central government with financial and management information, advice and analysis. The Division operates under the general direction of the Comptroller, and for purposes of day-to-day operations is divided into four branches:

— Financial and Management Systems.

— Disbursements and Accounting.

— Information Systems Support.

— Treasury Board Support and Financial Analysis (Responsibility for this function was transferred to Treasury Board Secretariat April 1, 1987).

Financial and Management Systems Branch

The Financial and Management Systems Branch, with a staff of 17, is divided into three operating units:

Financial Systems and Policies Unit

This unit is responsible for the development and communication of financial policies, systems and procedures to satisfy central government requirements and to improve the effectiveness, efficiency and economy of subsidiary departmental financial systems. During the year comprehensive reviews of accounting procedures were undertaken by this unit as well as the delivery of several training courses.

Management Practices Unit

The development and communication of government-wide management policies, processes and systems to ensure uniform application and compliance with acceptable standards is the function of this unit. It also seeks to improve the effectiveness, efficiency and economy of these practices. During the year the Management Practices Guide was completed and training sessions on its application were initiated.

Electronic Data Processing Unit

This unit is responsible for the co-ordination of data processing activities in the Department of Finance, (except for the Taxation Division) to ensure data processing resources are utilized efficiently and economically.

Disbursements and Accounting Branch

The role and mission of the Disbursements and Accounting Branch is the operation of a central facility for the control and disbursement of Provincial funds, the operation of an accounting system that records all receipts and payments of the government and shows the precise financial condition of the Consolidated Fund, and the preparation of financial statements from these records that clearly report the financial affairs of the Government. The Branch prepares financial statements which include Annual Public Accounts and Financial Report, Quarterly Reports and monthly reports for the Department.

In order to perform its mandate the Branch, with a staff of 62, has been organized into four sections. These are:

— General Accounting

— Payroll Accounting

— Voucher Accounting

— Data Entry Support.

During 1986-87 the Branch prepared, signed and issued 487,600 payroll cheques and 495,700 cheques to corporations, firms, individuals, other governments and government agencies based on documents and supporting information submitted by the government's operating departments. The Branch also signed and issued 442,100 social program cheques and 78,700 housing grant cheques.

Information Systems Support Branch

The Information Systems Support Branch is responsible for the development and maintenance of government-wide strategies for information systems management. It also provides analytical support to Treasury Board in monitoring compliance with resultant policies, procedures and guidelines. Overall, the Branch is concerned with promoting the cost-effective and economic use of information technology in the public sector.

During the year an "Information Technology Systems Guide" containing guidelines and standards for information systems was developed; as well a comprehensive review of strategic directions for the government's information technology was undertaken.

Consultative support for planning systems studies and assistance in the pre-implementation stages was provided to 26 departments and agencies on 34 separate projects.

The Branch also conducted training courses and seminars and published seven issues of its information bulletin.

The Branch, with a staff of 19, is divided into three operating units:

— Policy Development and Administration

— Training and Administration

— Support Services

Treasury Board Support and Financial Analysis Branch

The Treasury Board Support and Financial Analysis Branch provided financial and other analytical support to the Cabinet, Treasury Board, the Minister of Finance and several committees of cabinet. Among the functions it fulfills are: preparation of annual Estimates of Expenditure and Revenue, analysis of departmental Treasury Board submissions, preparation of shared-cost claims for submission to the federal government and review of departmental programs. During the 1986-87 fiscal year the Estimates were, for the first time, translated into French for presentation to the Legislature.

The Branch, with a staff of 25, was divided into three operating sections:

Treasury Board Support

This section is responsible for the integration and coordination of many of the central program and financial management requirements of the Province with the related processes in departments.

It provides information and third party independent opinions to support sound decision making.

Financial Support

This section provides financial and operational information to senior management of the Province to facilitate sound financial management of government programming.

Shared Cost Agreements

This section provides centralized financial control and management of Federal/Provincial shared-cost agreements.

Central Government Restructuring

In February of 1987, significant changes were announced in the committee structure of Cabinet. These included the establishment of a Planning and Priorities Committee of Cabinet and a strengthening of the role of Treasury Board. The Economic and Resource Investment Committee (E.R.I.C) and the Social Resources Committee (S.R.C.) were dissolved, and their functions were incorporated into the mandates of the new Planning and Priorities Committee and the Treasury Board. These changes were intended to improve the efficiency and effectiveness of the decision-making apparatus of government.

To support the new Treasury Board mandate, Cabinet approved the appointment of a senior Deputy Minister as full-time Secretary to Treasury Board and established a new unit within the Department of Finance called the Treasury Board Secretariat reporting directly to the Secretary. The Treasury Board Support Branch was devolved into this new unit.

The organization of the new Treasury Board Secretariat consists of five main units:

Office of Expenditure Review

The Office of Expenditure Review is responsible for improving government effectiveness through the identification of lower priority programming; enhancing the evaluation of programs and government structure; and ensuring the optimal delegation of management authority throughout government.

Fiscal Planning Office

The Fiscal Planning Office is responsible for developing fiscal strategy and planning options for the government of Manitoba. This is accomplished through the maintenance of an effective budget/planning cycle within an overall fiscal framework, including the setting of fiscal targets, designing and overseeing the annual Estimates process and continuous monitoring of fiscal status.

Three Analytic Units

The analytic units are each responsible for providing analysis, advice and recommendations with respect to policy and financial directions in a portfolio of departments. They do this by providing assessments and recommendations on submissions to Treasury Board, and other Cabinet Committees and by monitoring and assessing Departments' annual budget proposals including expenditure, revenue and policy issues, program and financial guidelines, working with senior Departmental personnel to ensure adequate communications between Departments and Treasury Board and the implementation of Treasury Board's directions.

The three analytical units are:

— Health and Social Services Programs.

— Social Development and Security Programs.

— Economic Programs.

Taxation Division

The Taxation Division is charged with the responsibility of administering all provincial taxation statutes (with the exception of Income Tax) to maximize revenues properly due under those Acts. The Provincial Income Tax Acts are administered by the Federal Government on behalf of the Province.

In 1986-87 Division revenues were estimated to be $985,000,000, whereas actual revenues exceeded this amount by some $3,000,000 to reach $987,777,074 including $56,607,523 of audit and compliance recoveries. The operations were carried out at a cost of $7,482,000 ($259,000 below budget) representing .7% of revenues or a net return of $132 for every $1 expended.

The Division is responsible for the continuing phase-out of The Succession Duty Act, S215. This Act has been suspended and was made applicable only to estates of persons dying prior to October 11, 1977 and subsequent to December 31, 1971. For the most part the 1986-87 revenues of $100,823 represented interest on Succession Duties imposed upon estates where the actual payment of duty is deferred until the final successor actually takes possession of their succession.

The Division is composed of three branches:

— The Mining and Use Taxes Branch

— The Retail Sales Tax Branch

— The Corporation Capital Tax/Health and Education Tax Branch

The Mining and Use Taxes Branch

The Mining and Use Taxes Branch operated in 1986-87 at a cost of $2,098,300, less than a 1% increase over 1985-86 with a staff of 51. The Branch's revenue for 1986-87 amounted to $357,498,941, a 15% increase over 1985-86 revenues. Included in 1986-87 revenues is $46,296,494 of audit recoveries.

The Branch administers the following statutes.

The Gasoline Tax Act imposes a per litre tax on all purchases of gasoline, aviation gasoline and gasohol subject to certain exemptions for farm operations, fishing, trapping and logging. In 1986-87 the tax was collected through some 1,500 retail dealers and 32 collectors and amounted to $115,729,775. Tax rates throughout 1986-87 were: leaded gasoline 8.9¢ per litre, unleaded gasoline 8.0¢ per litre, leaded gasohol 6.4¢ a litre, unleaded gasohol 5.5¢ per litre and aircraft gasoline 4.8¢ per litre.

The Mining Tax Act imposes a tax of 18% of the profit on mining operations. Revenues from this source in 1986-87 amounted to $48,106,236.

The Motive Fuel Tax Act imposes a per litre tax on all purchases of petroleum products that can be used in the operation of an internal combustion engine or for commercial heating and are not taxable under The Gasoline Tax Act subject to certain exemptions for farm operation, fishing and trapping, home heating and logging. The tax in 1986-87 was collected and remitted by 50 appointed collectors and directly by certain interprovincial truckers and amounted to $56,956,011. Tax rates per litre through 1986-87 (unless otherwise noted) were as follows:

	Per Litre	
Diesel — on highway	9.2¢	
Diesel — off-highway	7.0¢	
Locomotive fuel	9.2¢	
Commercial heating oil	1.8¢	
Bunker	1.6¢	
Propane — on-highway (full tank)	5.3¢	(Increased from 4.8¢ litre June 1, 1986)
Propane — heating	1.5¢	
Propane — off-highway	4.0¢	per Kg.
Natural Gas used in internal combustion engines	7.0¢	per kilogram effective June 1, 1986

The Oil and Natural Gas Tax Act levies a tax on the value of production of oil from freehold lands. The tax rate was dependent upon cubic metres and value of production and whether the oil wells were "new" or "old". Revenue from this tax in 1986-87 amounted to $7,249,097.

The Pari Mutuel Tax Act provides for a tax on the amount bet by every person who bets through the agency of a pari mutuel system. Rates throughout 1986-87 were 7.5% of the amount bet except for races with three or more horses where the rate was 12.5%. Revenue from this source for 1986-87 amounted to $5,080,039 most of which is returned to the horseracing industry in the form of purse support grants administered through The Department of Business Development and Tourism.

Part I of The Revenue Act, 1964 imposes a tax on the purchase price of electricity, natural and manufactured gas delivered by a pipeline and coal and derivatives thereof. The rate throughout 1986-87 was 6%. The tax was collected and remitted by 80 licensed dealers and amounted to $32,642,408 in 1986-87. Special exemptions were provided for heating residential premises and farm buildings.

The Tobacco Tax Act imposes a tax on the purchase of cigarettes, cigars and any other tobacco products including snuff. The rates for most of 1986-87 were 4.1¢ per cigarette, 1.6¢ per gram of tobacco and 2 1/2 ¢ to $1.15 on cigars priced from 6¢ to $2.25. The tax was collected by 36 collectors and amounted in 1986-87 to $91,660,199.

During the three years ended March 31st, 1987 the activities of the Compliance staff have reflected an increased emphasis on the laying of charges for tax evasion as the result of taxpayer failure to remit taxes, smuggling, or other illegal activities as follows:

	Year Ended March 31st		
	1987	1986	1985
Active Tax Investigations with Potential Criminal Charges	79	25	8
Court Convictions — By Type			
Tobacco Inventory — False Return	7	4	3
Possession — Untaxed Tobacco (smuggling)	4	2	—
Failure to Remit Fuel Taxes	7	4	—
Failure to Report Fuel Imports	3	1	—
Purple Fuel in Vehicle	259	309	392
Other Fuel Tax Offences	6	3	—
	286	323	395
Additional Taxes Collected — Compliance Activities	$370,583	$371,867	N/A

In addition to processing returns that account for the Branch revenues, accounting for all expenses, budget preparation and other assorted duties, the following refunds were paid in the last two years:

	1986-87	1985-86
Competition Assistance Grants to Approximately 115 Service Stations and Bulk Plants (twice per month)	$ 2,140,469	$ 2,119,225
Refunds to Truckers, Railways, etc., for Fuel taken out of Manitoba	$13,864,953	$11,237,347
Other Refunds	$ 1,736,328	$ 1,105,575

The Branch successfully implemented a new program commencing in April 1986, which afforded Manitoba farmers the opportunity of purchasing U.S. fuel at lower prices than were available at that time from Canadian sources. This action had the effect of reducing farm fuel prices across Manitoba. The program consisted of providing for the dyeing of imported farm fuel at five border points during the crop season plus a permanent location at Emerson which was operational all year.

A method of ensuring that marked unleaded gasoline was readily available to Manitoba farmers was developed and implemented in April, 1987.

The audit staff successfully conducted the first joint audit of one of the major tobacco manufacturers in Toronto, along with staff from the Province of Ontario and the Province of Quebec.

An extensive survey was conducted of all provinces concerning the refund of tobacco tax on stolen tobacco products. Based on this survey and further research a system was developed along with legislative authority for the refund of tobacco tax on stolen product to be made directly to retailers or on a more simple basis to the insurance companies of those retailers.

The Retail Sales Tax Branch

The Retail Sales Tax Branch operated in 1986-87 at a cost of $3,307,500, less than a 5% increase over 1985-86, with a staff of 91. The Branch's revenues for 1986-87 amounted to $463,027,667, a 6% increase over 1985-86 revenues. Included in 1986-87 revenues is $11,106,950 from audit and inspection activities.

The Branch administers The Retail Sales Tax Act which provides for a tax on tangible personal property consumed in, purchased in or brought into Manitoba, as well as upon certain services. A number of exemptions are provided. The general tax rate throughout 1986-87 was 6%. Wine, spirits and imported beer were taxed at 12%.

During the year the Branch processed 213,450 sales tax returns from tax collectors/taxpayers.

The following are some of the many other activities that were performed by the staff relative to the administration and enforcement of the retail sales tax.

— Maintained a tax roll on all registered businesses that collect and/or pay the tax, which included processing 4,050 new business registrations and 3,400 terminations.

— Controlled the issuance and usage of 110,000 prenumbered tax reporting forms by Autopac Agents and Motor Vehicle Licencing Branch.

— Processed and paid 13,350 refund claims from taxpayers, totalling $4,831,000.

— Made a total of 33,050 calls by compliance staff, either by telephone or in person, on tax collectors/taxpayers for the purpose of informing them of the tax requirements, verifying refund claims, obtaining information for the tax roll, collecting delinquent tax returns and arrears, and inspecting business records.

— Collected $3,947,250 tax revenue from inspection of business records and other compliance activities.

— Received payments totalling $2,552,800 as a result of the Administrative Collection Group's follow-up on some larger accounts during the year.

— With audit staff resources, audited the records of 750 businesses, which resulted in additional tax revenue of $7,159,700 that would otherwise have been lost.

— Implemented, in cooperation with seven other provinces, a tax prorate system to avoid the imposition of multiple taxation upon private interprovincial truckers.

— Simplified the taxfiling procedures for 2,900 businesses by changing them from monthly to semi-annual tax payment.

— Carried out, in cooperation with other provinces, a joint audit of the 1983-84 tax payments made by the Federal Government under the reciprocal taxation agreement.

The Corporation Capital Tax/Health and Post Secondary Education Tax Levy Branch

The Corporation Capital Tax/Health and Post Secondary Education Tax Levy Branch operated in 1986-87 at a cost of $1,801,800, a 13% increase over 1985-86, with a staff of 51.48. The Branch's revenues for 1986-87 amounted to $167,149,649, a 13% increase over 1985-86. Included in 1986-87 revenues is $1,308,709 of audit and compliance recoveries.

The Branch administers the following statutes:

The Corporation Capital Tax Act imposes a tax upon corporations on paid up capital at year-end as defined in the Act. This, in general terms, is equal to "net funds" invested in the corporations. "Funds" include all types of investments such as mortgage and loans and shareholders equity. If paid up capital was less than $1,000,000 the corporation was exempt. Revenues from this source in 1986/87 amounted to

$40,571,178. The rates as at March 31, 1987 were: General Rate 3/10ths of 1%, Banks 3% and Trust & Loan Corporations 9/10ths of 1%.

The Health and Post Secondary Education Tax Levy Act imposes a tax upon employers based on the total annual gross remuneration paid. Employers who paid remuneration of less than $50,000 annually were exempt up to December 31, 1986. The exemption level was revised to $100,000 on January 1, 1987. Revenues from this source in 1986-87 were $126,578,471. The tax rate throughout the taxation year was 1.5%.

The Corporation Capital Tax Roll indicates the following distribution as at March 31, 1987:

Active filers	7,619
Exempt Accounts	26,544
Other (Missing year ends, terminated)	8,898
Total Taxpayers on file	43,061

The Health and Post Secondary Education Tax Roll indicates the following distribution as at March 31, 1987:

Monthly Remitters (1)	7,408
Seasonal (1)	1,161
Exempt Accounts (2)	34,393
Other (Inactive, no commencement date, terminated)	20,097
Total Taxpayers on file	63,059

(1) Monthly and seasonal taxpayers file a Health and Education Tax Return monthly or as required.

(2) Exempt taxpayers file an Annual "Declaration of Salaries Paid".

Comparative Statement of Revenues

For fiscal years ending March 1983 to March 1987

	1983 $	1984 $	1985 $	1986 $	1987 $
Succession Duties and Gift Tax	128,546	445,904	106,220	78,548	100,823
Gasoline Tax	84,038,906	99,737,708	101,813,336	114,631,043	115,729,776
Motive Fuel Tax	32,121,243	42,025,865	45,426,662	49,579,631	56,956,011
Mining Royalty Tax (1)	554	10,012,428	—	—	—
Mining Claim Lease Tax	76,616	76,543	76,410	76,723	74,985
Tobacco Tax	45,147,968	54,282,604	66,129,090	77,701,549	91,660,199
Revenue Act, 1964, Part I	22,253,015	29,506,203	32,808,175	34,160,684	32,642,408
Retail Sales Tax	266,970,515	355,553,633	391,338,305	436,790,783	463,027,709
Oil and Gas Production Tax (2)	12,884,007	15,291,637	14,717,310	14,293,355	7,249,097
Mining Tax Act (1)	224,000	23,642,514	9,216,867	13,738,676	48,106,236
Corporation Capital Tax	22,964,949	24,121,999	24,483,929	29,628,583	40,571,178
Pari Mutuel Tax	4,971,950	4,620,621	4,720,842	5,272,228	5,080,039
Health and Post Secondary Education Tax Levy	55,522,735	108,142,503	111,143,652	118,850,387	126,578,471
	547,305,004	767,460,162	801,980,798	894,802,190	987,776,932

(1) Replaced by The Metallic Minerals Act which was subsequently renamed The Mining Tax Act January 1, 1981.

(2) 1983 to 1986 revenues under The Oil and Natural Gas Tax Act.
This Act was replaced by The Oil and Gas Production Tax Act as at January 1, 1987.

Federal-Provincial Relations and Research Division

The Federal-Provincial Relations and Research Division has as its primary tasks to provide research, technical, and analytical support in respect of national and provincial fiscal and economic matters and intergovernmental financial relations, including cost-shared programs; to administer fiscal arrangements and tax collection agreements with the federal government and to administer tax credit programs with the federal government and municipalities. Major areas of responsibility include intergovernmental financial relations, economic and fiscal policy analysis and tax policy formulation.

Administratively, the Division has four functional sectors:

— The Intergovernmental Fiscal Analysis Branch,

— The Economic and Fiscal Analysis Branch

— The Taxation Policy Analysis Branch (which is responsible for the Tax Assistance Office)

— The Administration Unit.

Intergovernmental Fiscal Analysis Branch

The Intergovernmental Fiscal Analysis Branch includes five staff positions.

The Branch administers federal-provincial fiscal arrangements. Total provincial revenues governed by these fiscal arrangements in 1986-87 was $760.1 million in personal income tax; $119.4 million in corporate income tax; $508.4 million in equalization payments; $418.2 million in cash payments for health and education; $13.4 million from the Reciprocal Taxation Agreement and $2.2 million in other unconditional subsidies.

The Fiscal Analysis Branch also provided support in administering $35.5 million in Provincial-Municipal Tax-Sharing Payments and the $13.9 million from the Local Government General Support Grant provided to the local governments in Manitoba.

As the federal-provincial arrangements for equalization and the financing for health and higher education were both under active review and renegotiation in 1986-87, the Branch undertook extensive analysis of these programs and participated in numerous federal-provincial meetings of officials and of Ministers. The Branch prepared a number of major background papers on these issues to help ensure Manitoba's concerns and position were clearly understood.

Two budgets, May 1986 and March 1987, were prepared in the 1986-87 fiscal year. The Fiscal Analysis Branch, in addition to providing fiscal analysis necessary for the Minister and Cabinet to develop the Budget, was also responsible for the production of the Budget documents. In addition, pre-Budget consultations and Budget-related communications were supported by the Branch.

During 1986-87, the Branch also provided technical support for the federal-provincial review of the Canada Pension Plan and other pension issues. The Branch also serves as the focal point for the review of all government regulations.

Economic and Fiscal Analysis Branch

The Economic and Fiscal Analysis Branch consists of four staff positions. The Branch reviews economic and fiscal analyses and forecasts using both private and public sector reports and data.

The Branch monitors and reviews a wide variety of economic analyses and independent forecasts for the Minister and Cabinet, as well as for use by various departments in policy development and Estimates preparation. The Branch prepared the Economic Reviews presented with the 1986 and 1987 Budgets, as well as extensive major reviews for public presentations, including the Manitoba Chamber of Commerce Annual Outlook Conference and Ministerial Pre-Budget and other Consultations with public interest groups.

The Branch Director and staff represent the Province on Federal-Provincial committees and working groups and provide support for Ministerial and First Ministers meetings.

An important and ongoing task of the Branch is to prepare major components of Provincial borrowing prospectuses and securities registration statements in regard to economic and financial data, and to represent the Province in "due diligence" examinations of borrowing documents. An additional, related task is to prepare major presentations for financial institutions and credit-rating agencies and to co-ordinate supporting presentations from other departments of Government.

Taxation Policy Analysis Branch

The Taxation Policy Analysis Branch has five-staff years assigned with a further 7.26 staff years available for full and term positions in the Tax Assistance Office.

The Taxation Policy Branch develops recommendations for taxation policy and for specific tax measures and tax credits. Tax measures are implemented through the Budgets of the Province and, for income taxes, through the Federal-Provincial Tax Collection Agreement.

The Branch undertakes a wide variety of analytical activities, and for this purpose, maintains current and historical tax data files, and monitors taxation systems across Canada.

The Branch also has responsibility to review and analyse the effects of various federal tax measures and proposals. This work entails participation in federal-provincial working groups and Ministerial meetings on these matters. In 1986-87 preliminary work on major federal Tax Reform proposals was being undertaken. The Branch prepared a number of reports setting out the Province's views on national Tax Reform.

The Branch Director supervises the Tax Assistance Office and its several programs. The office provides direct assistance to about 60,000 clients annually relating to preparation of personal Income Tax returns.

The Tax Assistance Office also undertakes analysis of and controls data files on the tax credit and other income tax related programs of the Province. These programs distribute $204 million to about 450,000 Manitobans annually.

Administrative Unit

This unit with a staff of four provides administrative support, word-processing, filing, cataloguing, research, and other organizational and technical support for the Assistant Deputy Minister and the Branches of the Division.

Expenditure Summary by Appropriation

YEAR ENDED MARCH 31, 1987

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1987

Appro. No.	Service	1986-87 Actual ($'000)	1986-87 Estimate ($'000)	Variance ($'000)
07-1	Administration and Finance	857.8	813.6	44.2
07-2	Treasury Division	955.1	934.4	20.7
07-3	Comptroller's Division	4,429.2	4,488.0	(58.8)
07-4	Taxation Division	7,482.0	7,741.3	(259.3)
07-5	Federal-Provincial Relations and Research Division	1,324.6	1,203.3	121.3
07-6	Administrative Policy/ Insurance and Risk Management	1,064.5	927.5	137.0
07-7	Tax Credit Payments	205,331.1	204,000.0	1,331.1
07-8	Local Government General Support Grants	13,866.6	13,800.0	66.6
07-9	Public Debt (Statutory)	351,484.2	322,347.5	29,136.7
07-10	Hydro Rates Stabilization (Statutory)	70,039.5	36,331.8	33,707.7
07-11	Payment of Judgment (Statutory)	438.9	0.0	438.9
07-12	Payment of Guarantee (Statutory)	10,000.0	0.0	10,000.0
07-13	Payment of Claim under The Financial Administration Act (Statutory)	2.0	0.0	2.0
	TOTAL	667,275.5	592,587.4	74,688.1

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1987

Appro. No.	Service	1986-87 Actual ($'000)	1986-87 Estimate ($'000)	Variance ($'000)
07-1	ADMINISTRATION AND FINANCE			
	a) Minister's Salary	20.5	20.6	(0.1)
	b) Executive Support			
	Salaries	310.8	277.0	33.8
	Other Expenditures	120.3	93.5	26.8
	c) Financial and Administrative Services			
	Salaries	238.1	229.8	8.3
	Other Expenditures	21.6	34.4	(12.8)
	d) Human Resource Management			
	Salaries	135.5	137.4	(1.9)
	Other Expenditures	11.0	20.9	(9.9)
TOTAL 07-1		857.8	813.6	44.2
07-2	TREASURY DIVISION			
	a) Salaries	667.5	645.0	22.5
	b) Other Expenditures	285.3	286.4	(1.1)
	c) Soldiers' Taxation Relief	2.3	3.0	(0.7)
TOTAL 07-2		955.1	934.4	20.7
07-3	COMPTROLLER'S DIVISION			
	a) Comptroller's Office			
	Salaries	89.0	80.4	8.6
	Other Expenditures	3.6	3.4	0.2
	b) Financial and Management Systems			
	Salaries	633.6	648.4	(14.8)
	Other Expenditures	65.6	69.5	(3.9)
	c) Disbursements and Accounting			
	Salaries	1,559.4	1,484.7	74.7
	Other Expenditures	861.4	963.9	(102.5)
	Recoveries from Appropriations	(510.5)	(513.0)	2.5
	d) Treasury Board Support and Financial Analysis			
	Salaries	885.5	909.0	(23.5)
	Other Expenditures	179.6	117.8	61.8
	e) Information Systems Support			
	Salaries	575.9	622.9	(47.0)
	Other Expenditures	183.7	194.2	(10.5)
	Recoveries from Appropriations	(97.6)	(93.2)	(4.4)
TOTAL 07-3		4,429.2	4,488.0	(58.8)

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1987

Appro. No.	Service	1986-87 Actual ($'000)	1986-87 Estimate ($'000)	Variance ($'000)
07-4	TAXATION DIVISION			
	a) Administration			
	Salaries	262.5	273.0	(10.5)
	Other Expenditures	11.9	12.0	(0.1)
	b) Retail Sales Tax			
	Salaries	2,826.7	2,816.4	10.3
	Other Expenditures	480.8	582.1	(101.3)
	c) Mining and Use Taxes			
	Salaries	1,662.1	1,597.6	64.5
	Other Expenditures	436.2	427.6	8.6
	d) Corporation Capital Tax/Health and Post-Secondary Education Levy			
	Salaries	1,319.0	1,366.1	(47.1)
	Other Expenditures	482.8	666.5	(183.7)
TOTAL 07-4		7,482.0	7,741.3	(259.3)
07-5	FEDERAL-PROVINCIAL RELATIONS AND RESEARCH			
	a) Economic and Federal-Provincial Research			
	Salaries	746.6	744.6	2.0
	Other Expenditures	342.1	233.4	108.7
	b) Manitoba Tax Assistance Office			
	Salaries	193.6	182.9	10.7
	Other Expenditures	42.3	42.4	(0.1)
TOTAL 07-5		1,324.6	1,203.3	121.3
07-6	ADMINISTRATIVE POLICY/INSURANCE AND RISK MANAGEMENT			
	a) Salaries	240.0	229.1	10.9
	b) Other Expenditures	40.1	40.1	0.0
	c) Insurance Premiums	1,710.7	1,727.2	(16.5)
	d) Recoveries from Appropriations	(926.3)	(1,068.9)	142.6
TOTAL 07-6		1,064.5	927.5	137.0

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1987

Appro. No.	Service	1986-87 Actual ($'000)	1986-87 Estimate ($'000)	Variance ($'000)
07-7	TAX CREDIT PAYMENTS	205,331.1	204,000.0	1,331.1
TOTAL 07-7		205,331.1	204,000.0	1,331.1
07-8	LOCAL GOVERNMENT GENERAL SUPPORT GRANTS	13,866.6	13,800.0	66.6
TOTAL 07-8		13,866.6	13,800.0	66.6
07-9	PUBLIC DEBT (Statutory)			
	a) 1. Public Debt Interest and expenses incidental thereto	870,956.6	803,552.7	67,403.9
	2. Interest on Trust and Special Funds	59,532.1	43,300.0	16,232.1
		930,488.7	846,852.7	83,636.0
	Less:			
	b) Interest and Other Charges receivable from:			
	1. Manitoba Telephone System	85,868.7	47,878.8	37,989.9
	2. Manitoba Hydro	219,200.8	185,291.9	33,908.9
	3. Manitoba Housing and Renewal Corporation	28,887.2	25,395.0	3,492.2
	4. Manitoba Agricultural Credit Corporation	26,011.3	26,726.5	(715.2)
	5. Other Government Agencies	5,896.6	6,065.0	(168.4)
	6. Other Loans and Investments	129,082.5	153,470.8	(24,388.3)
	7. Sinking Fund Investments	84,057.4	79,677.2	4,380.2
		579,004.5	524,505.2	54,499.3
TOTAL 07-9		351,484.2	322,347.5	29,136.7
07-10	HYDRO RATES STABILIZATION (Statutory)	70,039.5	36,331.8	33,707.7
TOTAL 07-10		70,039.5	36,331.8	33,707.7

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1987

Appro. No.	Service	1986-87 Actual ($'000)	1986-87 Estimate ($'000)	1986-87 Variance ($'000)
07-11	PAYMENT OF JUDGMENT (Statutory)	438.9	—	438.9 (1)
TOTAL 07-11		438.9	—	438.9
07-12	PAYMENT OF GUARANTEE (Statutory)	10,000.0	—	10,000.0 (2)
TOTAL 07-12		10,000.0	—	10,000.0
07-13	PAYMENT OF CLAIM UNDER THE FINANCIAL ADMINISTRATION ACT (Statutory)	2.0	—	2.0 (3)
TOTAL 07-13		2.0	—	2.0
TOTAL EXPENDITURES		667,275.5	592,587.4	74,688.1

Unbudgeted Statutory Payments — Explanations

(1) **Payment of Judgment**
Payment of judgment under Section 19 of the Proceedings Against the Crown Act as ordered by the Court of Appeal on July 3, 1986.

(2) **Payment of Guarantee**
The Minister of Finance, with the approval of the Lieutenant Governor in Council, authorized the payment of $10 million to the Bank of Montreal under the terms of a guarantee to provide Flyer Industries Limited with a line of credit pursuant to Section 54.2 of The Financial Administration Act.

(3) **Payment of Claim under The Financial Administration Act**
The Minister of Finance authorized a payment of $2,000.00 to Canadian Home Assurance Company pursuant to Section 44(2) of The Financial Administration Act. Government solicitors recommended this settlement of the plaintiff's claim as the circumstances might have justified a larger judgment against the Government.